



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
BOYLE COUNTY  
SHERIFF'S SETTLEMENT - 1999 TAXES**

**April 21, 2000**

**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **BOYLE COUNTY KARL LUTTRELL, COUNTY SHERIFF SHERIFF SETTLEMENT – 1999 TAXES APRIL 21, 2000**

An unqualified opinion was rendered on the financial statements. No additional money was due the districts.

#### **Tax Collection Period:**

The collection period for the 1999 taxes was November 1, 1999, through April 21, 2000.

#### **Comment and Recommendation:**

The comment and recommendation revealed one instance of noncompliance. On December 16, 1999, \$127,251 of the Sheriff's deposits were uninsured and unsecured.

#### **Interest Income:**

The Boyle County Sheriff earned \$18,868 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT - 1999 TAXES .....	3
NOTES TO FINANCIAL STATEMENT .....	4
COMMENT AND RECOMMENDATION .....	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	13





## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Tony W. Wilder, Boyle County Judge/Executive

Honorable Karl Luttrell, Boyle County Sheriff

Members of the Boyle County Fiscal Court

### Independent Auditor's Report

We have audited the Boyle County Sheriff's Settlement - 1999 Taxes as of April 21, 2000. This tax settlement is the responsibility of the Boyle County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Boyle County Sheriff's taxes charged, credited, and paid as of April 21, 2000, in conformity with the basis of accounting described in the preceding paragraph.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Should Require Depository Institutions to Pledge or Provide Sufficient Collateral to Protect Deposits

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Tony W. Wilder, Boyle County Judge/Executive  
Honorable Karl Luttrell, Boyle County Sheriff  
Members of the Boyle County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated September 8, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 8, 2000



BOYLE COUNTY  
KARL LUTTRELL, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES

April 21, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 489,734	\$ 934,015	\$ 4,807,879	\$ 1,367,559
Tangible Personal Property	111,130	171,804	852,496	662,246
Intangible Personal Property				226,323
Supplemental Real Estate (97-98)	7,439	10,243	82,655	23,006
Limestone, Sand, and Gravel	49	160	430	138
Fire Protection	292			
Franchise Corporation	47,488	82,918	394,746	
Aircraft	317	349	2,123	69
Inventory-In-Transit		41,797	127,038	550
Increased Through Erroneous Assessments	222	468	1,454	1,009
Penalties	3,913	7,109	39,710	11,999
Adjusted to Sheriff's Receipt	(40)	(66)	(4)	(133)
Gross Chargeable to Sheriff	<u>\$ 660,544</u>	<u>\$ 1,248,797</u>	<u>\$ 6,308,527</u>	<u>\$ 2,292,766</u>
<u>Credits</u>				
Discounts	\$ 9,611	\$ 17,986	\$ 92,214	\$ 37,783
Exonerations	5,728	28,786	52,975	17,095
Delinquents:				
Real Estate	3,637	7,408	35,466	10,155
Tangible Personal Property	530	625	4,302	2,207
Intangible Personal Property				467
Total Credits	<u>\$ 19,506</u>	<u>\$ 54,805</u>	<u>\$ 184,957</u>	<u>\$ 67,707</u>
Net Tax Yield	\$ 641,038	\$ 1,193,992	\$ 6,123,570	\$ 2,225,059
Less: Commissions *	<u>27,533</u>	<u>39,514</u>	<u>153,089</u>	<u>94,852</u>
Net Taxes Due	\$ 613,505	\$ 1,154,478	\$ 5,970,481	\$ 2,130,207
Taxes Paid	613,037	1,153,643	5,966,161	2,128,800
Refunds(Current and Prior Year)	<u>468</u>	<u>835</u>	<u>4,320</u>	<u>1,407</u>
Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* Commissions:

10% on	\$	10,000
4.25% on	\$	3,704,481
2.5% on	\$	6,123,570
1% on	\$	345,608

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY  
NOTES TO FINANCIAL STATEMENT

April 21, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 16, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$127,251 of public funds uninsured and unsecured.

BOYLE COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 21, 2000  
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 1999 through April 21, 2000.

Note 4. Interest Income

The Boyle County Sheriff earned \$18,868 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

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COMMENT AND RECOMMENDATION



BOYLE COUNTY  
KARL LUTTRELL, SHERIFF  
COMMENT AND RECOMMENDATION

April 21, 2000

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On December 16, 1999, \$127,251 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

*Will better communicate with bank on pledges.*

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Tony W. Wilder, Boyle County Judge/Executive  
Honorable Karl Luttrell, Boyle County Sheriff  
Members of the Boyle County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Boyle County Sheriff's Settlement – 1999 Taxes as of April 21, 2000, and have issued our report thereon dated September 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Boyle County Sheriff's Settlement – 1999 Taxes as of April 21, 2000 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boyle County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Tony W. Wilder, Boyle County Judge/Executive  
Honorable Karl Luttrell, Boyle County Sheriff  
Members of the Boyle County Fiscal Court  
Report on Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
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